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Retail Food Sector

UK Supermarket Chain Profiles

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Report Highlights:

This report is a Market Brief providing information about the key UK supermarket chains: Tesco, Asda/Wal-Mart, Sainsburys, Morrisons, Waitrose, Marks and Spencers and Whole Foods Market. This report gives an overview of the trading styles, and target customers of each retailer, as well as contact details for their head office.

Includes PSD Changes: No
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Table of Contents

Foreword	3
UK Supermarket Chain Profiles	3
Tesco	3
Asda/Wal-Mart	5
Sainsburys	6
Morrisons	7
Waitrose	8
Marks and Spencer	9
Whole Foods Market	9
Post Contact and Further Information	10


Foreword

This report is intended to supplement the report entitled “UK Retail Market Brief”, which can be found by searching under the subject heading at:

<http://www.fas.usda.gov/scripts/AttacheRep/default.asp>

UK Supermarket Chain Profiles

Tesco

	Tesco Stores Ltd Tesco House, Delamere Road Cheshunt, Hertfordshire EN8 9SL Tel: +44 1992 632 222 Consumer website: www.tesco.com Corporate website: www.tescocorporate.com
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Spurred on by the entry of Wal-Mart to the UK market in 1999, Tesco has pursued aggressive pricing and acquisition policies. As well as being the number one supermarket in the UK, Tesco is number six globally with stores in other European countries such as: the Czech and Slovak republics, Hungary, Poland, and the Republic of Ireland. Tesco also trades in Turkey, Malaysia, Taiwan, Japan, South Korea, China, and Thailand. In 2007, Tesco opened stores in the United States under the name Fresh & Easy.

Tesco has been at the cutting edge of innovation in the UK grocery market for the last 20 years. They introduced the first loyalty card, which has become a highly efficient and targeted marketing system. Tesco were also the first UK supermarket to develop an on-line shopping service and are at present the most successful.

Tesco's progress in the UK in the last five years has been outstanding – their trading space has increased by 35 percent, and their sales have grown by 48 percent with profits up by 54 percent in 2006. Tesco group sales are around £29,990 million (\$62,379 million) and they employ about 250,000 people.

Tesco has four different store formats, each tailored to the customers needs in a particular locality:

	Number of Stores	Sales Area (Million sq ft)	% of UK space
Extra	118	6.6	27.2%
Superstore	445	13.9	57.4%
Metro	163	1.9	7.8%
Express	654	1.1	4.5%
Total Tesco	1,380*	23.5	96.9%

*Tesco also has an additional 517 stores under the One Stop convenience store brand.

Express Stores are up to 200m² and offer customers great value, quality and fresh food close to where they live or work. The first express store was opened in 1994 and there are now over 600 stores, selling a range of up to 7,000 lines including fresh produce, wines and spirits and in-store bakery items.

Metro Stores are between 650-950m². The first Metro store was opened in 1992 bringing the convenience of Tesco to town and city center locations. Tesco Metros cater for thousands of busy customers each week and offer a tailored range of food lines including ready meals and sandwiches.

Superstores are between 1,800 and 4,600m². Tesco began opening Superstores in the 1970's, and during the 1980's and 1990's Tesco built a national network to which they are adding more stores every year. They respond rapidly to changing consumer needs. In recent years they have introduced a number of non-food ranges such as DVD's and books into Superstores.

Extra stores are usually above 5,500m² in size. Since the opening of the first Extra store in 1997, the "one stop" destination store format has proved extremely popular. Extra stores offer the widest range of food and non-food lines ranging from electrical items to homewares, clothing, health and beauty and seasonal items such as garden furniture. The 100th Extra store was opened in 2004 and around twenty new Extra's open each year, many were previously superstores.

Following positive consumer response to the non-food offering that Tesco has sold in many stores, Tesco has recently opened a few stores as non-food only on a trial basis.

Tesco's main consumers come from the middle income mass market. Tesco's range of food features a strong private label element. In addition to their general Tesco branded range, there are two other main ranges – Tesco Value that features basic goods at highly competitive prices and Tesco Finest, pitched at the quality end of the spectrum, with a strong emphasis on ingredients.

Tesco currently has 1,600 product lines across both the Tesco Value and Tesco Finest ranges. A typical Tesco Superstore will stock around 40,000 product lines, of which 25,000 are food.

Tesco is committed to lowering prices and have set a competitive agenda. Tesco, Asda and more recently Sainsbury's are constantly competing on price. Tesco have received considerable criticism in the press for placing pressure on suppliers in order to achieve its agenda on price. There is currently an ongoing Competition Commission investigation that is looking at practices within the UK grocery supply structure.

Tesco's multi-format stores are the key to its continuing success. They allow customers to access the Tesco 'brand' at many different levels. Tesco is extremely ambitious and although it is not currently in Wal-Mart's league globally, it is gradually positioning itself to be so in the future.

Asda/Wal-Mart

	Asda Stores Ltd. Asda House, Southbank Great Wilson Street Leeds, West Yorks LS11 5AD Tel: +44 113 243 5435 Website: www.asda.co.uk
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Wal-Mart bought Asda in July 1999, and unlike its foray into the German market, the UK business has done well. Asda has retained a very British feel in-store and a distinct identity separate from its parent company.

Asda/Wal-Mart's strap-line is 'Every day low price'. This motto, together with Wal-Mart's global buying power, has contributed to the success of the UK business. Asda/Wal-Mart is driven by store expansion, non-food growth and price competitiveness. Asda/Wal-Mart has focused on larger stores, however, larger stores are harder to come by in the UK and this is hampering its expansion possibilities.

Unlike Tesco & Sainsbury's, Asda/Wal-Mart does not have a convenience store format, instead it has focused on stand-alone non-food formats. George Clothing stores and Asda Living Homestores, were launched in 2003 and 2004.

Asda/Wal-Mart currently own 340 stores and they are predominately based in the North and South-East of England. The majority of Asda/Wal-Mart stores are in town centers or on the edge of town areas. Asda/Wal-Mart stores have a greater emphasis on presentation than Wal-Marts US stores. Food is displayed attractively with separate areas for clothing and non-food ranges. Asda employ 150,000 staff in the UK.

Asda/Wal-Mart generally has three different store formats:

Smaller stores up to 2,300m² - found in small town and suburban areas. This format has proven successful in recent years bringing Asda/Wal-Mart to locations, that were once inaccessible to them.

Superstores up to 3,900m² - this format is Asda/Wal-Mart's most normal store size, representing ninety percent of their UK stores. They offer a wide range of food and non-food products.

Supercentres are between 8,000 and 10,000m² in size. At present there are 19 stores in the UK and they bring together the best of Wal-Mart and full food ranges. Around half of the space is dedicated to non-food.

Asda/Wal-Mart is pitched at the lower-end of the mass market. It competes largely on price. In 2005, Asda/Wal-Mart and Tesco went head to head in a price war, both hoping to be crowned the cheapest supermarket. They price match so effectively that it is extremely difficult to call.

A typical Asda/Wal-Mart supermarket carries about 30,000 product lines, 60 percent of which are food items.

As well as branded products, Asda/Wal-Mart has a strong own label portfolio, with sub-brands such as:

- Smartprice – Price led products
- Asda – Everyday food and non-food items
- Good For You – Fat, salt, sugar and calorie controlled products
- Extra Special – Premium food

Unlike Tesco and Sainsbury's, Asda/Wal-Mart does not have a loyalty card system, this may affect their ability to market to their customers in the future.

Despite slower growth in the last year, Asda/Wal-Mart is a very strong business and a powerful player in the market. Looking ahead, its choice to steer clear of the convenience market while Tesco and others expand in that area may mean that Asda/Wal-Mart falls behind the competition in terms of expanding its presence. The market share figures between Sainsbury's and Asda/Wal-Mart have been so close over the past year that it has been difficult to pinpoint which supermarket chain is the UK's number two.

Sainsburys

	<p>Sainsbury Plc. 33 Holborn London, EC1N 2HT Tel: +44 207 695 6000 Consumer website: www.sainsburys.co.uk Corporate website: www.j-sainsbury.co.uk</p>
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Until the mid 1990's Sainsbury's was the number one supermarket chain in the UK, but since that time it has gradually lost ground to its competitors - Tesco and Asda/Wal-Mart. In recent months it has shown some recovery and there is a debate as to whether Asda/Wal-Mart or Sainsbury's is now the number two UK retailer.

In late 2004 a new CEO and management team were hired to address the deterioration in Sainsbury's competitive position. The new focus was on a sales led recovery and the group invested in their supply chain to improve product availability, as well as implementing price cuts and hiring more store staff. Sainsbury's have also benefited from the use of high profile of UK celebrity chef Jamie Oliver, who appears in their advertising campaigns highlighting seasonal products.

In 2006 Sainsbury's had 752 stores with annual sales of £16,061 million (\$33,407 million) and an operating profit of £342 million (\$711 million).

Sainsbury's has four main types of stores, however they are at present changing all their stores into two formats: traditional supermarket and convenience stores. The Sainsbury's Savacentre stores are being re-branded as supermarkets and the Sainsbury's Central stores are being converted to either supermarket or convenience stores, depending on size.

Sainsbury's has 297 Convenience stores, which range in size from 250-300m². They have limited product ranges focusing on convenience products such as sandwiches and ready meals. The stores aim for very high sales turnover.

Like Tesco, Sainsbury's have invested in the convenience store sector purchasing smaller UK chains such as Bell Stores, Jackson Stores and J.B. Beaumont Stores.

Price has been one of the key areas of change and since 2005 Sainsbury's has lowered the price on 8,400 products. This has taken Sainsbury's closer to the pricing levels of Tesco and Asda.


As well as branded products, Sainsbury's have the following private label ranges:

- Taste the difference – Premium foods
- Blue Parrot Café – Children's healthy food
- Be Good to Yourself – Low fat foods
- Organics – Organic lines
- Basics – Price led food

Sainsbury's have always been a food specialist and because most of its stores are smaller than Tesco and Asda there are physical limits to any plans to expand their non-food.

For Sainsbury's there is still much to do to turn their business around, especially with the ever-present pressure from rivals Asda and Tesco.

Morrisons

	<p>Morrisons Supermarkets Hilmore House, Thornton Road Bradford, West Yorkshire BD8 9AX Tel: +44 1274 494 166 Website: www.morrisons.co.uk</p>
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Morrison's became the 4th largest UK supermarket in March 2004, following their purchase of Safeway. The Safeway stores in the UK had been bought from Safeway US by a local business conglomerate in the late 1970's. The Morrison's bid to purchase Safeway was a surprise to many in the industry as the two businesses had different operating formats.

Until 2004, Morrison's Supermarkets were predominately based in the North of England and the Midland's. However, with the purchase of Safeway it gave them the opportunity to expand farther south. Morrison's did not want the Safeway brand, so they undertook a major conversion program to convert all Safeway stores to Morrison's. At that point Morrison's owned 479 stores. Of the 479 stores originally acquired, 220 were retained and converted to the Morrison's format. 241 supermarkets were closed or sold, either because they did not fit the Morrison's format or were required to be sold by the Office of Fair Trading to alloy local competition concerns.

Morrison's had an excellent financial record for 35 years, however, the cost of the takeover meant the group reported a £313 million pre-tax loss to January 2006, due to an exceptional charge of £374.4 million relating to the conversion of stores. Sales were almost static in the year to January 2006, despite a like for like sales uplift of 9 percent at converted Safeway stores. Due to the disruption during the store conversions, it tends to take longer to attract new shoppers than to lose former customers while stores are being transformed. Morrison's currently has 378 stores with an average sales area of 2,650m² and employ over 120,000 people in the UK.

A typical Morrison's store is aimed at the mid-lower end consumer and stocks in the region of 24,000 product lines. The company's strategy focuses on offering unbeatable customer service and a pleasant shopping environment, however, it competes primarily on price with low prices, special offers and multi-save promotions.

Approximately 55% of sales come from private label ranges. Morrison's private label portfolio consists of:

- Morrison's – Quality and Value
- The Best – Premium Foods
- Eat Smart – Healthy Foods
- Betterbuy – Price led products

Morrison's stands out from other grocery stores due to its "Market Street" feature – this is where a collection of fresh food counter stalls are designed to look like a market including butchers, bakers, fishmongers, delicatessens and salads. The majority of products sold in the Market Street are private label.

Morrison's has small non-food sections within its stores focusing on music and video, health and beauty products.

Waitrose

	Waitrose Doncastle Road Bracknell Berkshire, Tel: +44 1344 424 680 Website: www.waitrose.co.uk
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Waitrose is the supermarket business of the John Lewis Partnership, a leading department store chain. It offers a broad range of products and high quality ingredients to an upper-middle class customer base. Waitrose stores are located in areas where consumers with a higher than average disposable income live.

Waitrose stores are usually medium-sized compared to their UK supermarket rivals. However, Waitrose have introduced a larger store format called Waitrose Food & Home, e.g. their 5000m² store in Canary Wharf, London, and a new up-market food hall in the John Lewis department store on Oxford Street, London.

Waitrose, like the major supermarket chains, have an Internet shopping service. However, they have chosen to use a key associate company – Ocado. Although many of Waitrose's customers are cash rich and time poor - the ideal target for a home delivery service - the service currently still makes a loss.

Waitrose have 174 stores and are predominately based in the south of the UK. In 2006, Waitrose opened their first two stores in Edinburgh, Scotland, and are proposing a further 10 stores in Scotland if the Edinburgh stores perform well. Since Waitrose customers are less price-sensitive, Waitrose may present opportunities for American products that are of superior quality, but not always the lowest priced.

Marks and Spencer

	Marks & Spencer Waterside House 35 North Wharf Road London, W2 1NW Tel: +44 20 7935 4422 Website: www.marksandspencer.com
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Marks and Spencer is the UK's leading clothing retailer, and is defined as such in terms of UK data collection on the retail industry. Although, its food business is now about the same size in terms of sales, it is not considered together with the other supermarket chains in market analysis.

Marks and Spencer has premium quality food departments that are aimed at middle–upper class customers who are less price-conscious. They also attract customers shopping for special occasions such as dinner parties and birthdays.

Marks and Spencer is also a lunchtime destination for office workers picking up sandwiches and other snack items. In order to make the most of this market Marks and Spencer have also opened 144 stand alone Simply Food Stores that are convenience format stores under 297m² in size.

Marks and Spencer pioneered the concept of chilled ready prepared food and has led the way in its development. Today, Marks and Spencer continue to lead the market in terms of delivering food with a quality of provenance. Their food technical specifications are extremely strict, particularly with regard to the traceability of ingredients.

Apart from very a few exceptions, Marks and Spencer sell products entirely under their own label.

Whole Foods Market

	Whole Foods Market 63-97 Kensington High Street London W8 5JE Tel: +44 20 7368 6100 Website: www.wholefoodsmarket.com//uk/index.html
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Whole Foods Market opened its flagship store in London's High Street Kensington in June 2007. The 80,000 square foot store is not only the largest food retail space in central London, but is also the first Whole Foods Market in Europe and marks a major step in expanding the company's brand beyond North America.

They also own five Fresh & Wild stores, which they acquired in 2004. Fresh & Wild was a natural fit with the Whole Foods Market ethos, and today they continue to showcase organic, natural, wholesome, and ethically sourced products. Fresh & Wild strives to stock food without artificial colorings, hydrogenated fat, flavorings, sweeteners or preservatives.

The expansion of Whole Foods Market in the UK is closely monitored by the UK's major supermarket chains.

Before Whole Foods had opened in the UK, Tesco had trademarked the name Whole Foods in the UK, meaning that Whole Foods cannot use it on their products. Also, all of the major chains are responding to the UK trend to premium, healthy, ethical products so it remains to be seen whether Whole Foods can provide enough of a pull to consumers and make a difference in the market.

Post Contact and Further Information

If you have any questions or comments regarding this report, require a listing of UK importers, or need any other assistance exporting to the United Kingdom, please contact the USDA office in London at the following address:

United States Department of Agriculture
Embassy of the United States of America
24 Grosvenor Square
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Tel: +44 20 7894 0040
Fax: +44 20 7894 0031
E-Mail: aglondon@fas.usda.gov
Website: www.fas.usda.gov or www.usembassy.org.uk/fas/index.html

Further information on the UK retail grocery sector is available from:

British Retail Consortium(BRC)
2nd Floor, 21 Dartmouth Street
London, SW1H 9BP
Tel: +44 20 7854 8900
Website: www.brc.org.uk

Institute of Grocery Distribution (IGD)
Grange Lane, Letchmore Heath
Watford, Hertfordshire WD2 8DQ
Tel: +44 1923 857141
Website: www.igd.com

Other Reports of interest relating to this subject are:

Report Number	Title	Date Released
UK7036	UK Retail Market Brief	12/12/2007
UK6040	Key UK Retail Outlet Profiles	11/28/2006